

# **U.S. ARMY**

## **PROCUREMENT POLICY**

### **ALERT BULLETIN**

**NO. 96-002**

**March 19, 1996**

**The enclosed documents are forwarded for your information and any necessary implementation in advance of formal publication of a Federal Acquisition Circular (FAC) or Defense Acquisition Circular (DAC). There will be no Department of the Army-level supplementation or implementing instructions.**

**ENCLOSURES:**

- 1. Departmental Letter No. 96-003 (Memorandum DP(DAR), Subject: Justification and Approval Thresholds, dated March 13, 1996)**
- 2. Memorandum DP/CPF, Subject: Accounting and Appropriation Data, dated March 13, 1996**
- 3. USD(A&T) Memorandum, Subject: Small Disadvantaged Business Utilization Program - Advertising, dated March 4, 1996**
- 4. Departmental Letter No. 92-002 (Memorandum DP(DAR), Subject: Allowability of Costs, dated February 26, 1996)**
- 5. USD(A&T) Memorandum, Subject: Policy for Funding of Low Rate Initial Production (LRIP) Test Articles, dated February 21, 1996**

**This bulletin is issued by the U.S. Army Contracting Support Agency. Comments or questions should be referred to the Policy and Procedures Division, SFAE-CSA-PP, 5109 Leesburg Pike, Suite 916, Falls Church, Virginia 22041**

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**Bulletin 96-002 consists of 11 pages.**

**Release Approved By: TC**



OFFICE OF THE UNDER SECRETARY OF DEFENSE  
3000 DEFENSE PENTAGON  
WASHINGTON DC 20310-3000



13 MARCH 1996

DP/DAR

IN REPLY REFER TO  
DAR TRACKING NO.: 96-00002  
DFARS CASE: 96-D307  
D.L. 96-003

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES  
DEPUTY FOR ACQUISITION AND BUSINESS MANAGEMENT,  
ASN (RD&A) /ABM  
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE  
(CONTRACTING), SAF/AQC  
DIRECTOR, PROCUREMENT POLICY ASA (RD&A) / SARD-PP  
DEPUTY DIRECTOR (ACQUISITION), DEFENSE LOGISTICS AGENCY

SUBJECT: Justification and Approval Thresholds

We have amended the Defense Federal Acquisition Regulation Supplement and issued a class deviation to implement Section 4102 of the FY 1996 Defense Authorization Act (Pub. L. 104-106), which revises 10 U.S.C. 2304 (f) (1) (B) and 41 U.S.C. 253 (f) (1) (B) to raise the dollar thresholds pertaining to approval for the use of other than full and open competition. Section 4102 increases the approval threshold range for the competition advocate for the procuring agency from between "\$100,000 but not exceeding \$1,000,000" to between "\$500,000 but not exceeding \$10,000,000" and raises the approval threshold for the head of the procuring activity, or designee from "\$1,000,000 but not exceeding \$10,000,000" to "\$10,000,000 but not exceeding \$50,000,000."

The attached class deviation and final DFARS rule are effective 30 days after the date of this memorandum.

The class deviation will remain in effect until the FAR is revised.

Eleanor R. Spector  
Director, Defense Procurement

Attachments

cc: DSMC, Ft. Belvoir

Affected FAR Citations

**6.304 Approval of the justification.**

(a) \* \* \*

(1) For a proposed contract not exceeding ~~\$100,000~~ **[\$500,000]**, the contracting officer's certification required by 6.303-2 (a) (12) will serve as approval unless a higher approving level is established in agency procedures.

(2) For a proposed contract over ~~\$100,000 but not exceeding \$1,000,000~~ **[\$500,000 but not exceeding \$10,000,000]**, by the competition advocate for the procuring activity designated pursuant to 6.501 or an official described in paragraph (a) (3) or (a) (4) of this section. This authority is not delegable.

(3) For a proposed contract over ~~\$1,000,000 but not exceeding \$10,000,000~~ **[\$10,000,000 but not exceeding \$50,000,000]**, by the head of the procuring activity, or a designee who---

(i) \* \* \*

(ii) \* \* \*

(4) ~~Except for DOD, NASA, and the Coast Guard, f[F]~~ For a proposed contract over \$10,000,000 **[\$50,000,000]**, by the senior procurement executive of the agency designated pursuant to the OFPP Act (41 U.S.C. 414 (3) ) in accordance with agency procedures. This authority is not delegable **[except in the case of the Under Secretary of Defense (Acquisition and Technology), acting as the senior procurement executive for the Department of Defense.]**

(b) \* \* \*

(c) \* \* \*

(d) \* \* \*

Final DFARS Rule DFARS Case 96-D307

**206.304 Approval of the justification.**

~~(a) (4) (A) For proposed contracts not exceeding \$50 million, the senior procurement executive may delegate this authority~~

~~(1) To an officer or employee within the senior procurement executive's organization who~~

~~(i) If a member of the armed forces, is a general or flag officer; or~~

~~(ii) If a civilian, is serving in a position in Grade GS-16 or above (or in a comparable or higher~~

~~position under any other schedule of civilian officers or employees); or~~

~~(2) In the case of the Under Secretary of Defense (Acquisition & Technology) (USD(A&T)), to~~

~~(i) An Assistant Secretary of Defense; or~~

~~(ii) For a defense agency, an officer or employee serving in, assigned, or detailed to that agency who~~

~~If a member of the armed forces, is serving in a rank above  
brigadier general or rear admiral (lower half); or~~

~~If a civilian, is serving in a position with a grade under the General  
Schedule (or any other schedule for civilian officers or employees)  
that is comparable to or higher than rear admiral.~~

~~(B) For proposed contracts over \$50 million, this authority is not delegable, except in the case of the  
USD (A&T) who may delegate as specified in paragraph (a) (4) (A) (2) of this section.~~

(a) (4) The Under Secretary of Defense (Acquisition & Technology) may delegate this authority to--

(A) An Assistant Secretary of Defense; or

(B) For a defense agency, an officer or employee serving in, assigned, or detailed to that agency who--

(1) If a member of the armed forces, is serving in a rank above brigadier general or rear admiral  
(lower half); or

(2) If a civilian, is serving in a position with a grade under the General Schedule (or any other  
schedule for civilian officers or employees) that is comparable to or higher than rear admiral.



**OFFICE OF THE UNDER SECRETARY OF DEFENSE**  
3000 DEFENSE PENTAGON  
WASHINGTON DC 20310-3000



13 MARCH 1996

DP/CPF

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES  
DEPUTY FOR ACQUISITION AND BUSINESS MANAGEMENT,  
ASN (RD&A) /ABM  
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE  
(CONTRACTING), SAF/AQC  
DIRECTOR, PROCUREMENT POLICY ASA (RD&A) / SARD-PP  
DEPUTY DIRECTOR (ACQUISITION), DEFENSE LOGISTICS AGENCY

SUBJECT: Accounting and Appropriation Data

The Defense Finance and Accounting Service (DFAS) will no longer assign so-called "dummy" Accounting Classification Reference Numbers (ACRN) to new contracts and modifications when those documents contain a discrepancy or error in the long line of accounting data. Previously, DFAS would assign a dummy ACRN as a workaround procedure in order to enter the contractual document into the Mechanization of Contract Administration Services (MOCAS) System, thus permitting contractor payments to workaround pending correction of the discrepancy. However, this workaround procedure has contributed to the Department's ongoing problem of unmatched disbursements and negative unliquidated obligations.

As of April 15, 1996, DFAS will issue a DD Form 1716 Deficiency Report for any newly received contractual document with erroneous ACRNs or accounting data. DFAS will place the affected contract/modification in a backlog status, pending receipt of a correcting modification. This means that the MOCAS System will not reflect any obligations or deobligations made by the contract or modification in question.

Obviously, payments cannot be made on a new contract that has not been entered into the MOCAS System. Moreover, the ability to make payments on a contract already in the MOCAS System could be jeopardized by a new modification that contains an error, depending upon how it impacts existing obligations. This underscores the importance of preventing mistakes in contract ACRNs and accounting data and, in particular, correcting mistakes in a timely manner.

Eleanor R. Spector  
Director, Defense Procurement

cc: Director for Finance, HQ Defense Finance and Accounting Service



**THE UNDER SECRETARY OF DEFENSE**  
3010 DEFENSE PENTAGON  
WASHINGTON DC 20301-3010



4 MAR 1996

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
DIRECTORS OF THE DEFENSE AGENCIES  
ATTN: COMPONENT ACQUISITION SERVICE EXECUTIVES

SUBJECT: Small Disadvantaged Business Utilization Program - Advertising

As I indicated in my memorandum of November 3, 1995, the suspension of the Department's Small Disadvantaged Business (SDB) Set-aside Program requires extraordinary effort and creativity to maintain and expand the participation of SDBs in our acquisition programs. In addition to other measures you may consider employing to mitigate the impact of the suspension, request that you emphasize to contracting personnel the need to take advantage of the media's ability to disseminate information concerning proposed acquisitions. Media involvement, particularly minority media, can be very helpful, as part of a comprehensive effort, in fulfilling our commitment of providing opportunities for SDBs to participate in our contracts.

In addition to publicizing proposed contract actions as required by acquisition regulations, you should consider routinely providing information on contract opportunities to newspapers, magazines, trade journals and other mass communication media, particularly minority media, for publication without cost to the government. Moreover, where it is necessary to pay for advertising either because effective competition cannot be otherwise obtained for a proposed contract requirement (see FAR 5.101 (b) (4) ), or where the requirement is itself for advertising services, I request that you emphasize the importance of small, small disadvantaged and women-owned business participation as prime contractors and subcontractors in these acquisitions.

Your support in demonstrating the Department's commitment to providing SDBs opportunities to participate in our acquisitions is appreciated.

*Paul G. Kaminski*

Paul G. Kaminski



OFFICE OF THE UNDER SECRETARY OF DEFENSE  
3000 DEFENSE PENTAGON  
WASHINGTON DC 20310-3000



26 FEB 1996

DP (DAR)

IN REPLY REFER TO  
DFARS CASE: 95-D309  
D.L. 96-002

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES  
DEPUTY FOR ACQUISITION AND BUSINESS MANAGEMENT,  
ASN (RD&A) /ABM  
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE  
(CONTRACTING), SAF/AQC  
DIRECTOR, PROCUREMENT POLICY ASA (RD&A) / SARD-PP  
DEPUTY DIRECTOR (ACQUISITION), DEFENSE LOGISTICS AGENCY

SUBJECT: Allowability of Costs

We have amended Part 231 of the Defense Federal Acquisition Regulation Supplement (DFARS) to implement Section 8122 of the FY 1996 Defense Appropriations Act (Pub. L. 104-61). Section 8122 prohibits the use of FY 1996 appropriated funds to reimburse a contractor for costs paid by the contractor to an employee when such costs are for a bonus or otherwise in excess of the normal salary paid by the contractor to the employee, and such bonus is part of restructuring costs associated with a business combination. This prohibition does not apply to severance or early retirement incentive payments.

This interim DFARS rule is effective immediately and will be published in a future Defense Acquisition Circular.

Eleanor R. Spector  
Director, Defense Procurement

Attachment

cc: DSMC, Ft. Belvoir



## **SUBPART 231.2--CONTRACTS WITH COMMERCIAL ORGANIZATIONS**

### **231.205-6 Compensation for personal services.**

**\* \* \* \* \***

**(f) (1) Costs for bonuses or other payments, that are in excess of the normal salary paid by the contractor to the employee and that are part of restructuring costs associated with a business combination, are unallowable under DoD contracts funded by fiscal year 1996 appropriations (Public Law 104-61). This limitation does not apply to severance payments or early retirement incentive payments. (See 231.205-70 (b) for the definitions of "business combination" and "restructuring costs.")**



**THE UNDER SECRETARY OF DEFENSE**  
3010 DEFENSE PENTAGON  
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21 FEB 1996

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (RESEARCH,  
DEVELOPMENT, AND ACQUISITION)  
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,  
DEVELOPMENT, AND ACQUISITION)  
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)  
DIRECTOR, BALLISTIC MISSILE DEFENSE ORGANIZATION

SUBJECT: Policy for Funding of Low Rate Initial Production (LRIP) Test Articles

The purpose of Low Rate Initial production, as defined in the draft to the new edition of DODI 5000.2, is to provide production-configured or representative articles for operational test, to establish an initial production base for the system sufficient to lead to full-rate production upon the successful completion of operational test. LRIP quantity will be determined for all Acquisition Category (ACAT) I and II programs as a part of Engineering and Manufacturing Development (EMD) approval (Milestone II).

In order to facilitate the testing of LRIP articles in the EMD phase, component and agency program offices are encouraged to program and budget Research, Development, Test, and Evaluation (RDT&E) funds in lieu of procurement for those items required for operational test. Transition to RDT&E funding for LRIP test articles will take place in the next Program Objective Memorandum cycle. The services and BMDO should work with the USD (Comptroller) and the Director, Program Analysis and Evaluation to ensure that RDT&E funds programmed and budgeted for LRIP articles are specifically identified in program objective memoranda and budget submissions.

*Paul G. Kaminski*

Paul G. Kaminski